No. 17-1594

IN THE

Supreme Court of the United States

RETURN MAIL, INC.,

Petitioner,

v.

UNITED STATES POSTAL SERVICE, et al.,

Respondents.

ON WRIT OF CERTIORARI
TO THE UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

BRIEF OF THE R STREET INSTITUTE AS *AMICUS CURIAE* IN SUPPORT OF RESPONDENTS

CHARLES DUAN
Counsel of Record
R STREET INSTITUTE
1212 New York Ave NW Ste 900
Washington DC 20005
(202) 525-5717
cduan@rstreet.org

Counsel for amicus curiae

TABLE OF CONTENTS

TABLE OF AUTHORITIES ii

INTEREST OF *AMICUS CURIAE* 1

SUMMARY OF ARGUMENT 1

ARGUMENT 3

I. Treating the Government as a Person Best Effectuates Congressional Intent Behind the AIA Post-Issuance Review Provisions 3

A. To Promote Correctness in Patent Grants, Congress Intended to Open Post-Issuance Review to All Stakeholders 4

B. Treating the Government as a Person for Purposes of Post-Issuance Review Advances This Congressional Intent 10

II. Compared to the Alternative, Government Participation in Post-Issuance Review Better Serves Principles of Good Governance 12

A. The Executive Can Alternatively Initiate Review of a Patent Through Ex Parte Reexamination 12

B. Channeling the Government Instead Toward AIA Review Better Promotes Transparency, Due Process, and Separation of Functions 16

CONCLUSION 23

TABLE OF AUTHORITIES

CASES

Alappat, In re,
33 F.3d 1526 (Fed. Cir. 1994) (en banc) 20

Aronson v. Quick Point Pencil Co.,
440 U.S. 257 (1979) 5

Blonder-Tongue Laboratories, Inc. v. University of Illinois Foundation,
402 U.S. 313 (1971) 6

Butz v. Economou,
438 U.S. 478 (1978) 19

Cardinal Chemical Co. v. Morton International, Inc.,
508 U.S. 83 (1993) 6

Ethicon Endo-Surgery, Inc. v. Covidien LP,
137 S. Ct. 625 (2017) 20

Ethicon Endo-Surgery, Inc. v. Covidien LP,
812 F.3d 1023 (Fed. Cir. 2016) 20

Free Enterprise Fund v. Public Co. Accounting Oversight Board,
537 F.3d 667 (D.C. Cir. 2008) (en banc) 14

Free Enterprise Fund v. Public Co. Accounting Oversight Board,
561 U.S. 477 (2010) 14

Graham v. John Deere Co.,
383 U.S. 1 (1966) 5

Honeywell International, Inc. v. United States,
609 F.3d 1292 (Fed. Cir. 2010) 10

Innovatio IP Ventures, LLC Patent Litigation, In re,
921 F. Supp. 2d 903 (N.D. Ill. 2013) 8

Lear, Inc. v. Adkins,
395 U.S. 653 (1969) 6

MedImmune, Inc. v. Genentech, Inc.,
549 U.S. 118 (2007) 7

Medtronic, Inc. v. Mirowski Family Ventures, LLC,
134 S. Ct. 843 (2014) 5

Morrison v. Olson,
487 U.S. 654 (1988) 13

MPHJ Technology Investments, LLC v. Ricoh Americas Corp.,
847 F.3d 1363 (Fed. Cir. 2017) 7

Myers v. United States,
272 U.S. 52 (1926) 14

Oil States Energy Services, LLC v. Greene's Energy Group, LLC,
138 S. Ct. 1365 (2018) 5

Personal Audio, LLC v. Electronic Frontier Foundation,
867 F.3d 1246 (Fed. Cir. 2017) 7

Precision Instrument Manufacturing Co. v. Automotive Maintenance Machinery Co.,
324 U.S. 806 (1945) 5

SecurityPoint Holdings, Inc. v. United States,
129 Fed. Cl. 25 (2016) 10

Sierra Club v. Environmental Protection Agency,
292 F.3d 895 (D.C. Cir. 2002) 8

United States v. Duell,
172 U.S. 576 (1899) 5

Uship Intellectual Properties, LLC v. United States,
714 F.3d 1311 (Fed. Cir. 2013) 10

Withrow v. Larkin,
421 U.S. 35 (1975) 19–20

Wong Yang Sung v. McGrath,
339 U.S. 33 (1950) 19

CONSTITUTIONAL PROVISIONS

U.S. Const. amend. 5 16

——— Art. II, § 2 13

——— Art. III 8

STATUTES AND REGULATIONS

35 U.S.C. § 1(a) 13

——— § 3(a)(4) 14

——— § 6(c) 20–21

——— § 102 15

——— § 103 15

——— § 131 21

——— § 303(a) 12, 15

——— § 304 17

——— § 305 . . . . . 18, 21

——— § 307(a) 14

——— § 311 4

——— § 311(a) 8

——— § 312(a)(2) 9

35 U.S.C. § 312(a)(3) 16
——— § 313 . . . . . 16, 18
——— § 314(a) 13
——— § 314(c) 17
——— § 315(e) 9
——— § 316(a)(5) 18
——— § 316(a)(10) 8
——— § 316(a)(11) 18
——— § 318(b) 14, 20
——— § 319 9
——— § 321 4
——— § 321(b) 15
37 C.F.R. § 1.550(g) 15
——— § 1.560(a) 18
——— § 42.4(a) 17
——— § 42.5(d) 17
——— § 42.108(c) 18
Administrative Procedure Act (APA), 5 U.S.C. § 554 . . . . . 16, 19–21
——— § 554(d)(2) 20
America Invents Act (AIA), Pub. L. No. 112-29, 125 Stat. 284 (2011) 1–4, 6–18, 20–22

OTHER SOURCES

Michael Asimow, *When the Curtain Falls: Separation of Functions in the Federal Administrative Agencies*, 81 Colum. L. Rev. 759 (1981) 19

Steven G. Calabresi & Kevin H. Rhodes, *The Structural Constitution: Unitary Executive, Plural Judiciary*, 105 Harv. L. Rev. 1153 (1992) 14

Frank B. Cross & Emerson H. Tiller, *Judicial Partisanship and Obedience to Legal Doctrine: Whistleblowing on the Federal Courts of Appeals*, 107 Yale L.J. 2155 (1998) 21

Dennis Crouch, *Scan-to-Email Patent Finally Done; Claim Scope Broadened by Narrow Provisional Application*, Patently-O (Feb. 13, 2017), https://patentlyo.com/patent/2017/02/broadened-provisional-application.html 7

Jonathan J. Darrow, Reed F. Beall & Aaron S. Kesselheim, *The Generic Drug Industry Embraces a Faster, Cheaper Pathway for Challenging Patents*, 17 Applied Health Econ. & Health Pol'y (forthcoming 2019) . 7

Kenneth Culp Davis, *Separation of Functions in Administrative Agencies*, 61 Harv. L. Rev. 389 (1948) 759 (1981) 20

H.R. Rep. No. 112-98 (2011) 6, 9

Elena Kagan, *Presidential Administration*, 114 Harv. L. Rev. 2245 (2001) 14

Jonathan P. Kastellec, *Panel Composition and Judicial Compliance on the US Courts of Appeals*, 23 J.L. Econ. & Org. 421 (2007) 21

Lewis A. Kornhauser & Lawrence G. Sager, *Unpacking the Court*, 96 Yale L.J. 82 (1986) 21

Megan M. La Belle, *Patent Law as Public Law*, 20 Geo. Mason L. Rev. 41 (2012) 6, 8

———, *Public Enforcement of Patent Law*, 96 B.U. L. Rev. 1865 (2016) 10

Lawrence Lessig & Cass R. Sunstein, *The President and the Administration*, 94 Colum. L. Rev. 1 (1994) 14

Joe Matal, *A Guide to the Legislative History of the America Invents Act: Part II of II*, 21 Fed. Cir. B.J. 539 (2012) 9

Patent Trial & Appeal Bd., U.S. Patent & Trademark Office, *Trial Statistics: IPR, PGR, CBM* (Nov. 2018), https://www.uspto.gov/sites/default/files/documents/trial_statistics_nov_2018.pdf 6

President's Comm. on Admin. Mgmt., *Administrative Management in the Government of the United States* (1937) 19

Thomas O. Sargentich, *The Emphasis on the Presidency in U.S. Public Law: An Essay Critiquing Presidential Administration*, 59 Admin. L. Rev. 1 (2007) 14

Peter M. Shane, *Madison's Nightmare: How Executive Power Threatens American Democracy* (2009) 14

Peter L. Strauss, *The Place of Agencies in Government: Separation of Powers and the Fourth Branch*, 84 Colum. L. Rev. 573 (1984) 14

U.S. Patent & Trademark Office, *Manual of Patent Examining Procedure* (9th ed., 08.2017 rev. Jan. 2018) 13, 17

INTEREST OF *AMICUS CURIAE*

The R Street Institute[1] is a non-profit, non-partisan public-policy research organization. R Street's mission is to engage in policy research and educational outreach that promotes free markets as well as limited yet effective government, including properly calibrated legal and regulatory frameworks that support economic growth and individual liberty.

SUMMARY OF ARGUMENT

The government and its agencies should be treated as a "person" that may petition to institute post-issuance review proceedings under the America Invents Act, for two reasons. First, permitting the government to seek review of patents under these proceedings best realizes the intent of Congress to make those proceedings widely available. Second, compared to the government's alternative option for administratively challenging patents, AIA post-issuance review better serves important norms of procedure and governance, including transparency, due process, and separation of functions.

1. The legislative intent behind the post-issuance review provisions in the AIA suggests that the government may participate in them as a petitioner. Congress enacted those AIA review provisions in order to bring about an important public good: correctness in patent grants.

---

[1]Pursuant to Supreme Court Rule 37.3(a), all parties received appropriate notice of and consented to the filing of this brief. Pursuant to Rule 37.6, no person or entity other than *amicus* and its counsel authored this brief or made a monetary contribution to its preparation or submission. A misprinted paper copy of this brief was previously sent, bearing revision number 6fa32a1a on page 22; that copy should be discarded.

Erroneously granted patents, particularly those on old or obvious ideas, take away individual liberties to engage in otherwise lawful activities. Practices that ensure that issued patents comply with the requirements of the Patent Act protect those liberties on behalf of the entire public, making these practices a public good.

Congress sought to encourage this public good by creating low-cost, efficient, effective procedures for assessing whether patents were granted correctly based on third-party challenges. Importantly, Congress opened those procedures to all parties in order to maximize achievement of correctness in patents.

Permitting the government to be one such party who can assist in correction of patents comports with this congressional intent. Many patents relate to technology used primarily or only by the government; if the government cannot avail itself of post-issuance review under the AIA, then it may be discouraged from testing the validity of these patents. The harm to the public good would be especially broad, because the entire taxpaying public bears the costs of invalid patents on government-used technology. Permitting the government to use the AIA review provisions thus fits within the congressional paradigm for those trials as a widely available procedure to effectuate the public good that arises from correcting patents.

2. Treating the government as a person under the AIA serves important interests of governance. At the outset it must be recognized that the government has a second way to trigger reconsideration of any patent: an ex parte reexamination proceeding, initiated by the Director of the U.S. Patent and Trademark Office. The executive branch has multiple avenues to cause the USPTO Director to initiate ex parte reexamination, and might in

some cases use reexamination as a second-best substitute were AIA review unavailable to the government.

The question, then, is not whether the government should be permitted to challenge patents at all, but rather which procedure Congress would have preferred that the government use.

There are at least three reasons to believe that AIA post-issuance review would have been the choice of Congress and in any event is the superior choice. First, the AIA review proceedings are more transparent and accountable, because they create a complete public record of the government's arguments and evidence; executive-directed reexamination would not. Second, the formal, defined procedures under the AIA provide the patent owner with more adequate due process. Third, AIA review proceedings provide better separation of executive and adjudicatory functions, because the prosecutor of the proceeding and the adjudicator are separate administrative entities—indeed, separate federal agencies entirely. As a result, AIA review is demonstrably preferable to executive-directed reexamination, and Congress likely would have preferred that the government use the former proceeding.

ARGUMENT

I. TREATING THE GOVERNMENT AS A PERSON BEST EFFECTUATES CONGRESSIONAL INTENT BEHIND THE AIA POST-ISSUANCE REVIEW PROVISIONS

In the America Invents Act, Congress created three new administrative trial proceedings permitting any person to petition the U.S. Patent and Trademark Of-

fice to reconsider its grants of patents.[2] Treating the government as a person for purposes of these three post-issuance review proceedings comports with congressional intent to invite a wide range of parties to use them. The government fits cleanly within this intent of Congress, especially with respect to patents on technologies used primarily by the government.

A. To Promote Correctness in Patent Grants, Congress Intended to Open Post-Issuance Review to All Stakeholders

At least two observations demonstrate that Congress intended to enable as many interested parties as reasonably possible to invoke the post-issuance review provisions of the AIA. First, correctness in patent grants is a public good that benefits all of society, and opening up post-issuance review to all stakeholders was a key part of bringing about that public good. Second, a review of the statutory scheme shows that Congress did indeed make those proceedings very open.

1. It has long been recognized that the correctness of patent grants is a public good—that the public has "a paramount interest in seeing that patent monopolies . . .

---

[2] *See* Pub. L. No. 112-29, sec. 6(a), 125 Stat. 284 (2011) (codified at 35 U.S.C. § 311) (creating inter partes review); *id.* sec. 6(d) (codified at 35 U.S.C. § 321) (creating post-grant review); *id.* sec. 18 (creating covered business method review). These three post-issuance review proceedings are largely identical in those parts relevant to this case; both the Petitioner (at 5) and the government (at 18) make no substantial distinction among them. For purposes of brevity, this brief will cite only the statutory provisions applicable to inter partes review, with the understanding that parallel provisions exist for the other two proceedings.

are kept within their legitimate scope." *Precision Instrument Mfg. Co. v. Auto. Maint. Mach. Co.*, 324 U.S. 806, 816 (1945), *quoted in Medtronic, Inc. v. Mirowski Family Ventures, LLC*, 134 S. Ct. 843, 851 (2014). This is because a patent is "an exception to . . . the right to access a free and open market." *Id.* As a government instrument that prohibits certain conduct, a patent intrudes upon the default liberties of every individual to engage in business or personal activities: The government "takes from the public rights of immense value, and bestows them upon the patentee." *Oil States Energy Servs., LLC v. Greene's Energy Group, LLC*, 138 S. Ct. 1365, 1373 (2018) (quoting *United States v. Duell*, 172 U.S. 576, 586 (1899)) (internal alterations omitted).

Where the patented subject matter is truly new, the intrusion is minimal and the benefit of encouraging new inventions arguably outweighs that intrusion. But to grant a patent on an old or obvious idea would be "to remove existent knowledge from the public domain, or to restrict free access to materials already available"—in other words, to divest the public of its extant rights. *Graham v. John Deere Co.*, 383 U.S. 1, 6 (1966). Thus, "the stringent requirements for patent protection," namely the prohibitions on patenting old or obvious inventions, "seek to assure that ideas in the public domain remain there for the free use of the public." *Aronson v. Quick Point Pencil Co.*, 440 U.S. 257, 262 (1979).

One who seeks correction of a patent that fails these stringent requirements thus vindicates freedoms belonging to all. Patent validity challenges promote "the important public interest in permitting full and free competition in the use of ideas which are in reality a part of the

public domain." *Lear, Inc. v. Adkins*, 395 U.S. 653, 670 (1969). Because of the "importance to the public at large of resolving questions of patent validity," this Court's "authorities encourage authoritative testing of patent validity." *Cardinal Chem. Co. v. Morton Int'l, Inc.*, 508 U.S. 83, 100 (1993); *Blonder-Tongue Labs., Inc. v. Univ. of Ill. Found.*, 402 U.S. 313, 344 & nn.41–42 (1971). A successful challenge to a wrongful patent is, as a result, no less of a public good than the issuance of a correct patent. *See* Megan M. La Belle, *Patent Law as Public Law*, 20 Geo. Mason L. Rev. 41, 52 (2012).

Yet that public good of patent correctness is difficult to achieve due to the high costs of challenging the validity of patents through the traditional channels of district court litigation among other reasons. *See id.* at 66. As a result, Congress over the years has created several iterations of proceedings meant to be "an effective and efficient alternative to often costly and protracted district court litigation," the latest iteration of which is AIA post-issuance review. H.R. Rep. No. 112-98, at 45 (2011). By lowering the costs of having a patent reviewed for correctness, Congress hoped to increase the quality of the body of in-force patents and to protect the public from the harms of erroneously granted patents.

It is perhaps indicative of this public-good intent that AIA review proceedings have repeatedly achieved that public good. Among the 2,500 such proceedings that have reached final decisions since 2012,[3] canceled patents have included one on basic computer scanning technology that launched a nationwide patent litigation scan-

[3] *See* Patent Trial & Appeal Bd., U.S. Patent & Trademark Office, *Trial Statistics: IPR, PGR, CBM* 10 (Nov. 2018), https://www.uspto.gov/sites/default/files/documents/trial_statistics_nov_2018.pdf.

dal[4] and a patent on online sound content distribution that had been exploited to threaten and suppress Internet broadcasters.[5] Empirical studies of pharmaceutical patents show that AIA reviews have largely focused on cancelling weaker follow-on drug patents on formulations or methods of use—patents that the industry allegedly uses improperly to extend its patent monopoly terms—while generally not affecting pioneer patents on new active ingredients.[6] AIA reviews have thus not canceled patents indiscriminately, but rather have separated the good from the bad, promoting patent correctness as a public good.

Lowering costs was not the sole way in which Congress encouraged the use of post-issuance review under the AIA: The new programs also enlarged the population eligible to seek review of patents. In district courts, reviews of patent correctness may only be initiated by parties with standing—those who have been directly threatened with a patent suit or otherwise have a direct interest in its validity. *See MedImmune, Inc. v. Genentech, Inc.*, 549 U.S. 118, 771–72 (2007). This limitation has proven problematic in achieving the public good of patent correctness because, in many cases, the party

---

[4] *MPHJ Tech. Invs., LLC v. Ricoh Americas Corp.*, 847 F.3d 1363, 1369–70 (Fed. Cir. 2017); *see* Dennis Crouch, *Scan-to-Email Patent Finally Done; Claim Scope Broadened by Narrow Provisional Application*, Patently-O (Feb. 13, 2017), https://patentlyo.com/patent/2017/02/broadened-provisional-application.html.

[5] *Pers. Audio, LLC v. Elec. Frontier Found.*, 867 F.3d 1246, 1253 (Fed. Cir. 2017).

[6] *See* Jonathan J. Darrow, Reed F. Beall & Aaron S. Kesselheim, *The Generic Drug Industry Embraces a Faster, Cheaper Pathway for Challenging Patents*, 17 Applied Health Econ. & Health Pol'y (forthcoming 2019) (manuscript at § 3.2).

with the strongest interest in challenging a patent is not the one being sued. *See* La Belle, *supra*, at 81–82.

Consider, for example, a wrongly granted patent on wireless communications technologies that is purportedly infringed by a common consumer device.[7] The patent owner, realizing that consumers of that device lack the resources to fight off patent lawsuits, may threaten hundreds or thousands of consumers to collect small settlements while forbearing from suit against the device manufacturer. The manufacturer may thus have a strong financial and moral interest in defending its customers but lack standing to seek a declaration of invalidity.

There was thus a need for an alternative mechanism for review of patents, and AIA post-issuance review filled that need.

2. Legislative intent to make AIA review proceedings available to as wide a body of patent challengers as possible is evident in several aspects of the statutory scheme. First, the statutes allow any "person" to petition for institution of a proceeding, regardless of standing. *See* 35 U.S.C. § 311(a). Given the backdrop of standing requirements against which Congress was legislating, this change demonstrates intent not to limit the parties who might initiate an AIA review.[8]

Second, the statutes give the petitioner significant opportunities to participate throughout the proceeding, *see, e.g.*, 35 U.S.C. § 316(a)(10), and indeed give both the

---

[7]This is loosely based on the facts of *In re Innovatio IP Ventures, LLC Patent Litig.*, 921 F. Supp. 2d 903, 906 (N.D. Ill. 2013).

[8]That is not to suggest that the AIA review provisions are defective for lacking a standing requirement; Article III standing is not a requirement before agencies. *See, e.g., Sierra Club v. Envtl. Prot. Agency*, 292 F.3d 895, 899 (D.C. Cir. 2002).

petitioner and the patent owner symmetric rights to appeal outcomes to the Federal Circuit, *see* § 319. History is significant in this respect: Congress had previously provided post-issuance patent reexamination procedures that were nominally open to all, but potential patent challengers did not use them extensively because those reexamination procedures did not put the challenger on equal procedural footing with patent owners. *See* H.R. Rep. No. 112-98, *supra*, at 46. Solving that problem in the AIA again confirms that Congress sought to encourage widespread use of that law's review provisions.

Third, Congress during its AIA deliberations acknowledged multiple dangers of inviting an unlimited class of patent challengers but chose not to limit the class in response. It was suggested, for example, that companies might use nominal shell entities to hide their identities in petitioning for AIA review; Congress responded by requiring disclosure of real parties in interest but did not prevent those nominal entities from filing petitions. *See* 35 U.S.C. § 312(a)(2). It was also suggested that patent challengers might abuse their open invitation by filing repeated serial challenges to harass patent owners; Congress implemented a statutory estoppel rule but still ensured that at least one challenge could be made. *See* § 315(e); H.R. Rep. No. 112-98, *supra*, at 48. Indeed, Congress entertained several proposals to limit the parties that could use the AIA review provisions. *See* Joe Matal, *A Guide to the Legislative History of the America Invents Act: Part II of II*, 21 Fed. Cir. B.J. 539, 601–02 (2012) (describing proposals). Except with respect to the transitional and temporary covered business method review proceeding, none of these proposals were adopted.

Accordingly, Congress created the AIA post-issuance review proceedings in order to promote the public good of correctness in patent grants, and intended for a wide group of interested parties to initiate those proceedings in order to achieve that public good.

B. Treating the Government as a Person for Purposes of Post-Issuance Review Advances This Congressional Intent

Given that Congress invited a wide range of parties to initiate AIA post-issuance review, it follows that the government should be one of those parties. This is because the government is often the party best positioned to challenge a patent, so to deny the government the ability to do so under the AIA undermines congressional aims. *See generally* Megan M. La Belle, *Public Enforcement of Patent Law*, 96 B.U. L. Rev. 1865, 1898–903 (2016).

Frequently, the government is either the only or the primary user of a technology that has supposedly been patented. The patent at issue in the present case, for example, relates to scanning bar codes in the process of delivering mail, and the U.S. Postal Service is undoubtedly the dominant user of that sort of technology. Other cases exemplify a similar situation. *Uship Intellectual Properties, LLC v. United States* also related to a patent on mailing parcels. *See* 714 F.3d 1311, 1312–13 (Fed. Cir. 2013). *SecurityPoint Holdings, Inc. v. United States* involved a patent on a method of managing x-ray scanner trays at airport security checkpoints. *See* 129 Fed. Cl. 25, 28–29 (2016). *Honeywell International, Inc. v. United States* concerned night vision goggles used in military aircraft cockpits. *See* 609 F.3d 1292, 1294–95 (Fed. Cir. 2010).

In cases such as these where the government is the predominant user of technology purportedly under patent, it is unlikely that any other person or entity would have an incentive to seek post-issuance review to challenge the patent. Were the government unable to seek one by virtue of not being a "person" under the AIA, then the post-issuance review provisions would be effectively neutered for the class of government-used patents. That result would be contrary to the intent of Congress to promote the public good of patent correctness.

Blocking the government from using post-issuance review would have a particularly pointed effect on that public good. It is true that correctness of patents is a public good because it avoids unwarranted intrusions on every person's liberty, but that good is distributed unevenly in practice because not every person uses every invention. Challenging an erroneous patent on a treatment for skin blemishes, for example, brings value to generic competitors and consumers, but it does little for people not associated with such problems.

When the government challenges patents, however, the public good does accrue to all people, because the government is funded by public taxes. If the government cannot seek correction of a wrongful patent and so must pay an unjustified royalty to the patent owner, that royalty cost is passed on to all taxpayers. The public benefit from correcting this category of patents is especially high. Even where a government entity is funded by fees, the costs of an invalid patent will still be borne by the generally large population of beneficiaries of that entity. If the Postal Service cannot seek cancellation of the patent in the present case, for example, every stamp-buying American will be forced to pay.

Allowing the government to use the AIA review provisions to challenge patents thus falls within the legislative intent to make those provisions broadly available in order to advance the public good of correctness in patents. The government should be treated as a "person" able to use post-issuance review, thereby promoting the public good of patent correctness.

II. Compared to the Alternative, Government Participation in Post-Issuance Review Better Serves Principles of Good Governance

If the government is deemed unable to use AIA post-issuance review, it is not totally out of luck: Director-ordered ex parte reexamination is an alternative procedure that the government may use to achieve a result similar to AIA review. Yet a comparison of the two procedures for patent review shows that, for several important policy reasons, post-grant trials are the better option for the government to use. This suggests that Congress would have preferred the government to use post-issuance review; at any rate it would be preferable, as a policy matter, to direct the government toward it.

A. The Executive Can Alternatively Initiate Review of a Patent Through Ex Parte Reexamination

Even if the government is deemed not to be a person for purposes of the AIA review proceedings, it will largely still be able to seek cancellation of patents it deems erroneously granted. Under 35 U.S.C. § 303(a), the Director of the USPTO has the power, "[o]n his own

initiative, and at any time," to initiate an alternate proceeding known as ex parte reexamination. There are multiple ways that the executive branch or an agency therein could cause the Director to initiate a reexamination.

Initially, the agency seeking to dispute a granted patent may simply try to persuade the Director to initiate the reexamination. The USPTO lays out a memorandum procedure for examiners to inform the Director of patents meriting reexamination, *see* U.S. Patent & Trademark Office, *Manual of Patent Examining Procedure* § 2239 (9th ed., 08.2017 rev. Jan. 2018) [hereinafter MPEP], and the Director would presumably consider similar memoranda from other federal agencies. The agency might also make a case to the Secretary of Commerce, of whom the USPTO is "subject to the policy direction." 35 U.S.C. § 1(a). In both cases, the agency would need to demonstrate the likelihood that the patent in question is erroneous and that the Director should exercise discretion to initiate a reexamination; that puts the agency on essentially the same footing it would face were it to petition for AIA post-issuance review. *Cf.* 35 U.S.C. § 314(a).

Furthermore, the agency might manage to enlist the support of the President, opening up far more options for causing the Director to initiate reexamination. The President may use the oversight powers of the Opinion Clause to persuade the Director more forcefully into initiating the reexamination. *See* U.S. Const. Art. II, § 2. Should the Director fail to do so, more potent executive powers could come into play, at least in theory.

For example, the President could order the Director to initiate the reexamination, an order permitted either under the theory of a unitary executive, *see Morrison v. Olson*, 487 U.S. 654, 727 (1988) (Scalia, J., dissenting),

discussed in Free Enter. Fund v. Pub. Co. Accounting Oversight Bd., 537 F.3d 667, 668 (D.C. Cir. 2008) (en banc) (Kavanaugh, J., dissenting), *rev'd in part*, 561 U.S. 477 (2010),[9] or under a statutory interpretation theory that presumes that the President may direct the actions of executive agencies, *see* Elena Kagan, *Presidential Administration*, 114 Harv. L. Rev. 2245, 2327–28 (2001).[10] At the extreme, the President could even use the removal power to forcibly "supervise and guide" the Director into initiating the reexamination. *Myers v. United States*, 272 U.S. 52, 135 (1926); *see also* 35 U.S.C. § 3(a)(4) (providing for at-will removal of the Director). Collectively, these are powerful tools that the President may use to cause a Director-ordered reexamination in the interest of the government and its agencies.

Although ex parte reexamination is not a perfect substitute for AIA post-issuance review, the government would likely use it in at least some cases as a next-best alternative. The outcome of a successful reexamination—a certificate canceling or correcting errors in the reexamined patent—is the same as the outcome of AIA review. *Compare* 35 U.S.C. § 307(a), *with* § 318(b). Procedurally,

---

[9] *See also* Steven G. Calabresi & Kevin H. Rhodes, *The Structural Constitution: Unitary Executive, Plural Judiciary*, 105 Harv. L. Rev. 1153, 1165–68 (1992); Lawrence Lessig & Cass R. Sunstein, *The President and the Administration*, 94 Colum. L. Rev. 1, 86 (1994).

[10] Certainly there is dispute over both of these theories, and no position need be taken in this brief on their merits. *See, e.g.*, *id.* at 2326; Peter L. Strauss, *The Place of Agencies in Government: Separation of Powers and the Fourth Branch*, 84 Colum. L. Rev. 573, 649–50 (1984); Thomas O. Sargentich, *The Emphasis on the Presidency in U.S. Public Law: An Essay Critiquing Presidential Administration*, 59 Admin. L. Rev. 1, 24–27 (2007); Peter M. Shane, *Madison's Nightmare: How Executive Power Threatens American Democracy* 158–65 (2009).

though, reexamination is inferior. The agency challenging a patent through reexamination cannot oppose the patent owner's contentions during the proceeding. *See* 37 C.F.R. § 1.550(g). Reexamination is limited to errors in patents under 35 U.S.C. § 102 and § 103 based on older patents or printed publications, unlike two of the three AIA post-issuance review mechanisms.[11] *See* 35 U.S.C. § 303(a). And the informal process for convincing the Director to initiate reexamination is more taxing than the AIA review petition process.

If agencies cannot use AIA post-issuance review, they will need to decide whether to use Director-ordered reexamination instead. In some cases, the disadvantages of reexamination will dissuade agencies from challenging patents at all, in which case the public good of patent correctness as described previously will fail to be realized. In other cases, though, agencies may engage in reexamination as a substandard but next-best alternative. Thus, if the government is unable to petition for post-issuance review of a patent, it would likely at least try to seek an ex parte reexamination at least some of the time.

The government is thus not without options if it desires to challenge an issued patent but is not deemed a person permitted to use the AIA post-issuance review provisions. The question in this case, then, is not whether the government will be allowed to challenge patents at all, but rather what procedural avenue the government will use—AIA post-issuance review or ex parte reexamination.

---

[11] Post-grant review and covered business method review may be instituted on any ground of patent invalidity. *See* 35 U.S.C. § 321(b); America Invents Act (AIA), Pub. L. No. 112-29, sec. 18(a)(1), 125 Stat. 284, 329 (2011).

B. Channeling the Government Instead Toward AIA Review Better Promotes Transparency, Due Process, and Separation of Functions

Given that the executive branch has the option of seeking a Director-initiated ex parte reexamination of a patent, it is strongly preferable to channel the executive instead toward the post-issuance review proceedings of the AIA. Those proceedings are superior to reexamination on at least three grounds: They are more transparent, they better serve due process, and they more closely implement separation of executive and adjudicatory functions in accordance with good administrative design.[12]

1. Transparency and accountability interests are better served when the government seeks post-issuance review of a patent under the AIA rather than through an ex parte reexamination, particularly at the institution stages of the respective proceedings.

The procedure for institution of post-issuance review is highly transparent to the patent owner and the public. To initiate post-issuance review under the AIA, a federal agency would file a petition that identifies the patent in dispute, the prior art references, and arguments showing a likelihood that the patent was erroneously granted. *See* 35 U.S.C. § 312(a)(3). The patent owner would be notified of the petition and offered an opportunity to respond. *See* § 313. Subsequently, the Patent Trial and Appeal Board would notify the parties of its decision whether to institute the requested proceeding; to date, such decisions

[12]This is not to say that patent reexamination is unconstitutional under the Fifth Amendment or in violation of the Administrative Procedure Act, 5 U.S.C. § 554. The arguments in this section are policy matters suggestive of congressional intent.

have provided detailed reasoning on each patent claim challenged in the petition. *See* § 314(c);[13] Pet. App. 98a–140a. As a result, the public record identifies not only the reasons for reconsidering the patent but also the government's reasoning that the Board *rejected*; the latter could be useful to the patent owner in crafting further arguments and to the public in understanding the government's interests and intentions.

By contrast, there is very little transparency in any of the executive procedures for causing the USPTO Director to initiate an ex parte reexamination. The federal agency interested in having a patent reexamined would try to persuade the Director, the Secretary of Commerce, or the President of its need for reexamination; this would likely occur in closed-door meetings or through internal correspondence with no necessary disclosure to either the patent owner or the public. If the Director initiates reexamination, the reasons that the Director chooses to put forth are made public. *See* 35 U.S.C. § 304. But no record need be made of reasons that the government proffered but the Director rejected, and if the Director refuses to institute reexamination, the agency request may be discarded entirely. *See* MPEP, *supra*, § 2239. And in all cases, the identity of the agency that initially sought the reexamination might never be revealed.

AIA post-issuance review is also more transparent during the course of the proceeding itself. Ex parte communications with the Board are prohibited in the course of an AIA review, *see* 37 C.F.R. § 42.5(d), but are permitted and in fact encouraged in reexaminations, *see, e.g.*,

[13]The statute gives the Director authority to decide whether to institute a post-issuance review, but by regulation the Director has delegated that authority to the Board. *See* 37 C.F.R. § 42.4(a).

§ 1.560(a) (providing for ex parte interviews during reexamination). The AIA review provisions thus provide the public with a more complete record of the proceedings.

2. Due process is also better served when the government uses AIA post-issuance review rather than ex parte reexamination, because post-grant proceedings have better-defined rules of procedure.

At the initiation stage, AIA post-issuance review certainly provides more adequate process. The patent owner is entitled to file an opposition to a petition to institute an AIA review, and the Board must consider the opposition in deciding whether to institute the trial. *See* 35 U.S.C. § 313; 37 C.F.R. § 42.108(c). By contrast, where an agency asks the Director to initiate a reexamination, the patent owner has no defined opposition path other than informal lobbying of the administration—and only to the extent that the patent owner even knows that the agency is seeking reexamination of the patent.

Practice after institution of an AIA review also better serves due process interests. Those review proceedings define discovery procedures and provide opportunities to depose witnesses, *see* 35 U.S.C. § 316(a)(5); reexamination offers neither. AIA review proceedings are usually expected to meet a one-year deadline for final decisions, *see* 35 U.S.C. § 316(a)(11); reexamination has no set deadline other than an expectation that it be conducted with "special dispatch," *see* § 305. This is not to say that patent reexamination is a constitutionally deficient procedure, but certainly there are different levels of process, and AIA review is at a superior level.

3. Finally and perhaps most importantly, the AIA post-issuance review provisions better implement sepa-

ration of functions, as compared to executive-directed re-examination.

Separation of functions, in which agency adjudicators are at least partially insulated from non-adjudicatory responsibilities and pressures, has long been considered a hallmark of fairness in agency design. Multiple studies conclude that political pressure on adjudicators creates an "unwholesome atmosphere" for decision-making, and that the commingling of agency adjudicators and employees who prosecute before them "not only undermines judicial fairness; it weakens public confidence in that fairness." President's Comm. on Admin. Mgmt., *Administrative Management in the Government of the United States* 36–37 (1937); Michael Asimow, *When the Curtain Falls: Separation of Functions in the Federal Administrative Agencies*, 81 Colum. L. Rev. 759, 779 (1981). This Court has recognized "substantial" merit in the "argument that those who have investigated should not then adjudicate." *Withrow v. Larkin*, 421 U.S. 35, 51 (1975).

A useful indicator of the substantial merit of separation of functions may be found in the text and history of the Administrative Procedure Act. Prior to enactment of that statute, there was "considerable concern" about the independence of agency adjudicators who performed non-adjudicatory work or who were subordinate to executive officials. *See Butz v. Economou*, 438 U.S. 478, 513–14 (1978) (describing pre-APA history); *see also Wong Yang Sung v. McGrath*, 339 U.S. 33, 41–45 (1950) (same). Responding to that concern, Congress sought "to assure that the hearing examiner exercises his independent judgment on the evidence before him, free from pressures by the parties or other officials within the agency." *Butz*, 438 U.S. at 513.

The APA performs this task by providing, subject to certain exceptions, that an agency adjudicator may not be "subject to the supervision or direction of an employee or agent engaged in the performance of investigative or prosecuting functions for an agency." 5 U.S.C. § 554(d)(2). It furthermore provides that an employee engaged in investigation or prosecution of a matter may not "participate or advise in the decision" on that matter. *Id.* This is not to say that the APA is the sole correct implementation of separation of functions. *See Withrow*, 421 U.S. at 51–52; Kenneth Culp Davis, *Separation of Functions in Administrative Agencies*, 61 Harv. L. Rev. 389 (1948) 759, 394–95 (1981). But the statute exemplifies what Congress viewed as good policy in agency adjudication.

Separation of functions is served well when a federal agency is the petitioner to post-issuance review under the AIA. The proceedings appear to be subject to § 554(d)(2) of the APA. *See Ethicon Endo-Surgery, Inc. v. Covidien LP*, 812 F.3d 1023, 1030 n.3 (Fed. Cir. 2016), *cert. denied*, 137 S. Ct. 625 (2017). The degree of separation of functions indeed goes further: USPTO leadership cannot directly reverse the administrative patent judges' decisions in those proceedings,[14] and the three-judge panel requirement makes those proceedings more likely to be

[14] *See* 35 U.S.C. § 6(c) (only Patent Trial and Appeal Board may grant rehearings of its decisions); § 318(b) (upon final written decision of the Board, the Director "shall issue and publish a certificate" effecting the Board's decision). The Director may exercise certain indirect means of influencing the decisions of the Board such as designating certain decisions as precedential, but the Federal Circuit has recognized that these indirect powers do not render the Board "the alter ego or agent of" the Director. *In re Alappat*, 33 F.3d 1526, 1535 (Fed. Cir. 1994) (en banc).

impartial,[15] *see* 35 U.S.C. § 6(c). And when a government agency is the petitioner to an AIA review, the prosecutorial and adjudicatory functions are separated not just by divisions within a single agency but across different agencies entirely. It is difficult to see, taking the present case as an example, how Postal Service lawyers might commingle with administrative patent judges on any regular basis, given that their respective offices are not in the same state.

Director-ordered ex parte reexamination, by contrast, not only permits combination of functions but in fact demands it. Reexamination is not subject to § 554 of the APA, but rather is "conducted according to the procedures established for initial examination," 35 U.S.C. § 305, notably including the fact that it is statutorily subject to management by the Director, § 131. The agency that prompted the reexamination is not procedurally separated from the Director, but instead interacts with the Director personally and informally prior to (and perhaps even after) initiation of the reexamination. Even granting that neither the Director nor the agency act inappropriately, the appearance of fairness will still be lacking: A patent owner whose patent is canceled might reasonably wonder if the reexamination procedure had been inappropriately politicized.

---

[15] A fair amount of research confirms that collegial panels better serve impartiality. *See, e.g.*, Jonathan P. Kastellec, *Panel Composition and Judicial Compliance on the US Courts of Appeals*, 23 J.L. Econ. & Org. 421, 422 (2007); Frank B. Cross & Emerson H. Tiller, *Judicial Partisanship and Obedience to Legal Doctrine: Whistleblowing on the Federal Courts of Appeals*, 107 Yale L.J. 2155, 2176 (1998); Lewis A. Kornhauser & Lawrence G. Sager, *Unpacking the Court*, 96 Yale L.J. 82, 100–02 (1986).

None of this is to say that post-issuance review under the AIA is a perfect model of agency adjudication or that ex parte reexamination is problematic. But given the choice between these two procedural avenues for federal agencies to challenge the correctness of patent grants, AIA review is superior in terms of transparency, due process, and separation of functions. It is reasonable to conclude that Congress intended for the government to be able to use the AIA post-issuance review provisions, and it would better serve the ends of good governance and fairness for this Court to agree.

CONCLUSION

For the foregoing reasons, the decision of the Court of Appeals should be affirmed.

Respectfully submitted,

CHARLES DUAN
Counsel of Record
R STREET INSTITUTE
1212 New York Ave NW Ste 900
Washington DC 20005
(202) 525-5717
cduan@rstreet.org

Counsel for amicus curiae

January 2019